



FINANCIAL INSTITUTIONS TODAY

News and topics of interest to financial institutions regulated by the Department of Banking and Finance

March 2017

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Internet Deposits and Liquidity

Effective liquidity risk management is essential for the safety and soundness of financial institutions. In fact, the inability of an institution to meet its cash letter can result in the loss of its charter. The increased use of non-core funding sources and strategies can result in increased complexity and the need for increased liquidity oversight.

Generally, non-core funding resources include deposits originating outside of the local trade area; however, these deposits may be restricted under certain conditions. Additionally, if the overall financial condition of the institution is deteriorating or if the risk profile of the institution is increasing, carefully consideration should be given to the impact that changes in the permissibility of retaining or obtaining non-core deposits could have on liquidity levels, projections and planning.

Management should have access to information systems that separate and measure the level of funding from deposits in its local trade area from deposits obtained outside the local trade area such as deposits obtained through listing services or brokers. This information may become critical to planning in the event an institution is restricted from certain deposit products and services. Institutions are encouraged to confer with Federal regulators to confirm assumptions about deposit categorization to build appropriate management reports.

Deposits generated through listing services meet the Federal Deposit Insurance Corporation (FDIC) definition of brokered deposits if rates exceed the prevailing national market rate as determined by the FDIC, by 75 basis points. The national rate is based on historical data that lags market movements, which can have a limiting, material impact on rates available to your market, particularly in a rising rate environment. While banks operating in a high market rate environment may qualify for a different calculation, each branch of an institution in the market area is accounted for in the national market rate calculation, which can have a material impact on the result. Management should understand the calculations behind rate limitations to build appropriate management reports.

Deposits that meet the Federal definition of a brokered deposit may not be available to be accepted, renewed, or rolled over when an institution is no longer considered to be “well capitalized,” which can result from capital ratios dropping below established benchmarks, regulatory determinations resulting from administrative actions, or other notification from the Federal regulator. Institutions that fall below “adequately capitalized” are prohibited by FDIC regulation from accepting, renewing, or rolling over any brokered deposits.

New Method for Department's Electronic Press Releases Goes LIVE!

Effective April 3, 2017, all Department of Banking and Finance (Department) press releases delivered through electronic means, including emails regarding the Monthly Bulletin *Financial Institutions Today* and proposed/final rules and regulations, will be delivered via the govdelivery.com domain. Please visit our website to manage your subscription.

Community Development Financial Institutions Fund

The Community Development Financial Institutions (CDFI) Fund offers resources and programs that invest federal dollars alongside private sector capital by serving mission-driven financial institutions that take a market-based approach to supporting economically disadvantaged communities. These mission-driven banks, credit unions, and other qualified financing entities are encouraged to apply for CDFI certification. To date, federally-chartered institutions have expressed the most interest in the CDFI Fund.

Certified CDFIs are eligible to apply for awards through a variety of programs offered by the CDFI Fund. These awards allow CDFIs to finance an array of activities, including mortgage lending for first-time homebuyers, flexible underwriting for community facilities, and commercial loans for businesses in low-income areas. Financial assistance from the CDFI Fund may be in the form of a grant, secondary capital, nonmember deposit, or loan.

To apply for CDFI certification, your organization must submit an application to the CDFI Fund for review. The CDFI Certification Application must demonstrate that the applicant meets each of the following requirements:

- Is a legal entity at the time of certification application;
- Has a primary mission of promoting community development;
- Is a financing entity;
- Primarily serves one or more target markets;
- Provides development services in conjunction with its financing activities;
- Maintains accountability to its defined target market; and
- Is a non-government entity and not under the control of any government entity (Tribal governments excluded).

The CDFI Fund hosts monthly CDFI certification conference calls to serve as a forum for potential CDFI certification applicants, certified CDFIs, and other CDFI certification stakeholders to ask questions and learn more. Information about the dates for these calls is available on their website, <https://www.cdfifund.gov/>. Information about this program is also available on the National Credit Union Administration (NCUA) website provided by the Office of Small Credit Union Initiatives on their website, <https://www.ncua.gov/About/leadership/Pages/small-credit-union-initiatives.aspx>.

Low Income Designation for Credit Unions

Low Income Credit Union (LICU) is a designation defined in Section 701.34 of the NCUA Rules and Regulations. State-chartered credit unions that meet the eligibility requirement may obtain LICU designation from the NCUA, subject to the approval of the Department. LICU designation confers access to specified benefits and expanded authority as long as the credit union continues to meet the eligibility requirements. The Department supports LICU designation for state-chartered credit unions that are well managed and in a satisfactory financial condition. Applicants should provide a strategic plan that is consistent with standards of safety and soundness that includes a clearly defined business plan outlining the use of the additional powers granted and exit strategies should the institution no longer qualify as a LICU.

In order to maintain LICU designation, the credit union must continue to meet the eligibility requirements. Changes in the credit union's membership demographics, field of membership, or completion of a merger are among the circumstances which may result in the credit union no longer meeting the eligibility requirement. Accordingly, the credit union should have contingency plans to achieve strategic initiatives for the possibility of losing LICU designation. If a LICU is found to no longer meet the eligibility requirement, the credit union may be granted up to five (5) years to either meet eligibility requirements or lose the LICU designation and related benefits.

For more information, please review the NCUA's *Low Income Designation Fact Sheet* at <https://www.ncua.gov/Legal/Documents/LowIncomeDesignationFactSheet.pdf>.

Upcoming FASB Lease Accounting Changes Reminder

Lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all lease terms of more than 12 months under an accounting standard update announced in February 2016, which becomes effective for public companies with fiscal years (and interim periods within those years) beginning after December 15, 2018, and all other organizations with fiscal years beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Early application is permitted. Prior to this change, only capital leases were required to be recognized on lessee balance sheets. This change is designed to improve transparency and comparability. Refer to Accounting Standards Update No. 2016-02 for more information.

Action on Applications for the Month

The following is a summary of official action taken on applications by state financial institutions under Title 7, Chapter 1 of the O.C.G.A. and petitions for certificate of incorporation of financial institutions and other matters of interest during the month of March 2017:

APPLICATIONS FOR NEW FINANCIAL INSTITUTION

<u>FINANCIAL INSTITUTION</u>	<u>CAPITALIZATION</u>	<u>APPROVAL DATE</u>	<u>BEGIN BUSINESS DATE</u>
Pacific Metro Bank 11625 Medlock Bridge Road Johns Creek, GA 30097 Fulton County	\$ 12,000,000	Pending	

APPLICATIONS TO ESTABLISH A BRANCH OFFICE

<u>FINANCIAL INSTITUTION</u>	<u>BRANCH OFFICE</u>	<u>APPROVAL DATE</u>	<u>BEGIN BUSINESS DATE</u>
SunTrust Bank Atlanta	Hill Center 201 Franklin Road, Suite 100 Brentwood, TN 37027 Williamson County	06-20-2016	03-20-2017
SunTrust Bank Atlanta	Fox Mill Centre 6723 Fox Centre Parkway Gloucester, VA 23061 Gloucester County	Pending	
Synovus Bank Columbus	Overton 3400 Overton Park Drive Atlanta, GA 30339 Fulton County	03-13-2017	
Synovus Bank Columbus	Reynoldstown 144 Moreland Avenue Atlanta, GA 30307 Fulton County	03-13-2017	
Pinnacle Bank Elberton	Parkway Place 1081 Parkway Place Athens, GA 30606 Oconee County	03-06-2017	
LGE Community Credit Union Marietta	Jonquil Shopping Center Atlanta Road & Spring Road Smyrna, GA 30080 Cobb County	03-13-2017	
Exchange Bank Milledgeville	Lake Sinclair 2801 North Columbia Street Milledgeville, GA 31061-3326 Baldwin County	08-22-2014	03-13-2017
Associated Credit Union Norcross	Dawsonville 4200 Dawson Forrest Road Dawsonville, GA 33989 Dawson County	03-08-2017	

Coosa Valley Credit Union Rome	Cartersville Walnut Grove Road Cartersville, GA 30165 Bartow County	03-28-2017	
The Bank of Soperton Soperton	Vidalia 121 Church Street Vidalia, GA 30474 Toombs County	01-11-2017	03-16-2017
First State Bank Wrens	Warrenton 189 Legion Drive Warrenton, GA 30828 Warren County	01-25-2017	03-15-2017

APPLICATIONS TO CHANGE LOCATION

<u>FINANCIAL INSTITUTION</u>	<u>CHANGE LOCATION OF</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
SunTrust Bank Atlanta	West End From: 1715 West End Avenue Nashville, TN 37203 Davidson County To: 210 21 st Avenue South Nashville, TN 37203 Davidson County	Pending	
SunTrust Bank Atlanta	Rhode Island Row From: 410 Rhode Island Avenue NE Washington, DC 20002 To: 2350 Washington Place NE Washington, DC 20018	09-16-2016	03-24-2017
SunTrust Bank Atlanta	Kennesaw Marketplace From: 1184 Barrett Parkway Kennesaw, GA 30144 Cobb County To: 1340 Ernest W. Barrett Parkway NW Kennesaw, GA 30152 Cobb County	12-23-2016	03-31-2017

NOTICE OF CHANGE IN NAME

<u>PREVIOUS NAME</u>	<u>NEW NAME</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
Mead Employees Credit Union Atlanta	MECU	03-03-2017	

FINANCIAL INSTITUTION MERGERS

<u>FINANCIAL INSTITUTION (SURVIVOR)</u>	<u>MERGED INSTITUTION</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
SRP Federal Credit Union North Augusta, SC	Richmond County Health Department Employees Credit Union Augusta, GA	Pending	

Holiday Observance – Office Closing

The Department will be closed on
Monday, April 24th
for a State Holiday.



DFB OUTREACH

AND UPCOMING SPEAKING ENGAGEMENTS:

Georgia Credit Union Affiliates 2017 Annual Convention

Commissioner Kevin Hagler will be speaking at the GCUA 2016 Annual Convention in Savannah on Friday, May 19. For more information about this event visit <https://gcuu.org/index.php>.

Community Bankers Association of Georgia Banker Regulator Forum

Deputy Commissioner for Supervision Melissa Sneed will be participating on a regulatory panel for the "Banker Regulator Forum-2nd Quarter" of the Community Bankers Association of Georgia (CBA) in Atlanta on Thursday, May 4. The CBA invites questions and suggested hot topics at <http://web.cbaofga.com/events/Banker-Regulatory-Forum-2nd-Quarter-5417-4419/details>.

Georgia Bankers Association Georgia Banking School

Supervisory Manager Justin McElheney will participate in the Georgia Banking School of the Georgia Bankers Association (GBA) in Athens on Tuesday, May 2nd through Thursday, May 5th. He will be assuming the role of "bank examiner" for third year students as they compete in teams for the best performance managing assets and liabilities in a changing rate environment. For more information about GBA visit <http://www.gabankers.com>.

The Department is the state agency that regulates and examines Georgia state-chartered banks, state-chartered credit unions, state-chartered trust companies, and bank holding companies that own Georgia state-chartered financial institutions. The Department also has responsibility for the supervision, regulation, and examination of Merchant Acquirer Limited Purpose Banks chartered in Georgia.

In addition, the Department has regulatory and/or licensing authority over mortgage brokers, lenders and processors, mortgage loan originators, check cashers, sellers-issuers of payment instruments, money transmitters, and international banking organizations.

Our **Mission** is to promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.

Our **Vision** is to be a willing and able partner with our regulated entities in order to support vibrant economic growth and prosperity in Georgia.

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